

# 6B - ABI Health Care Summit, Hom Health-Investment Iowa

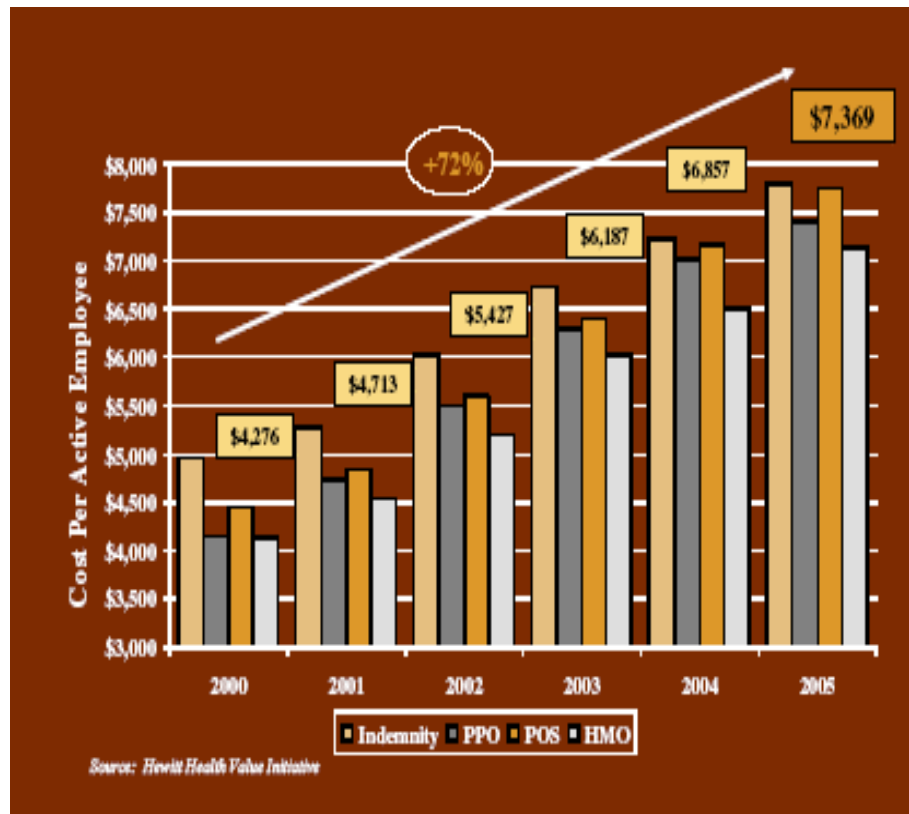
David Hom

Des Moines, Iowa

July 25, 2007



# US Health Care Market: Rising Double Digit Costs Over 5 Years



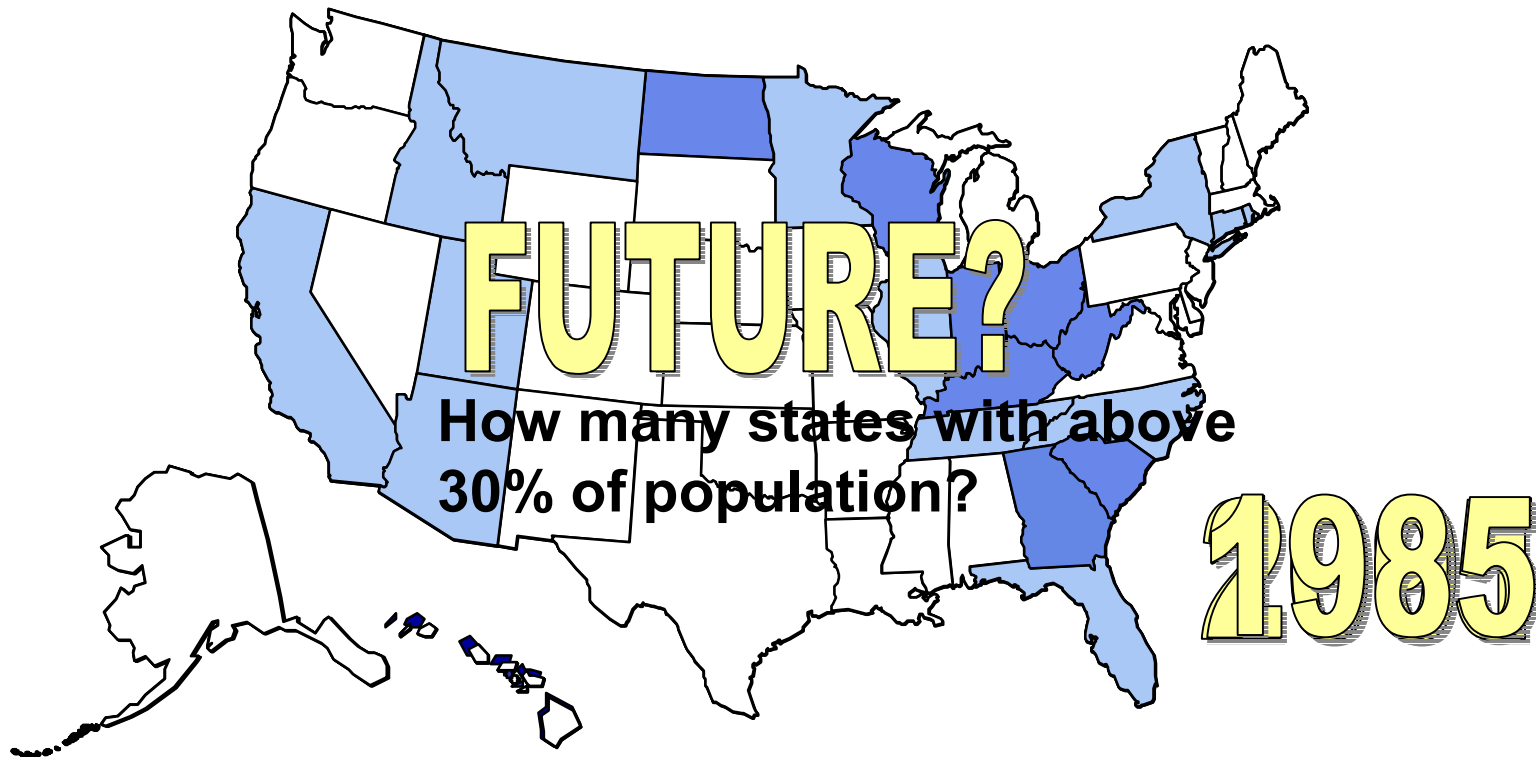
Private Payers pay  
>1/2 for health care

Private payers pay >  
48% of prescription  
drug benefits

**72% increase** in cost per active employee [2000-2005] across plans  
[indemnity, PPO, POS, HMO]



# What is the value of health?



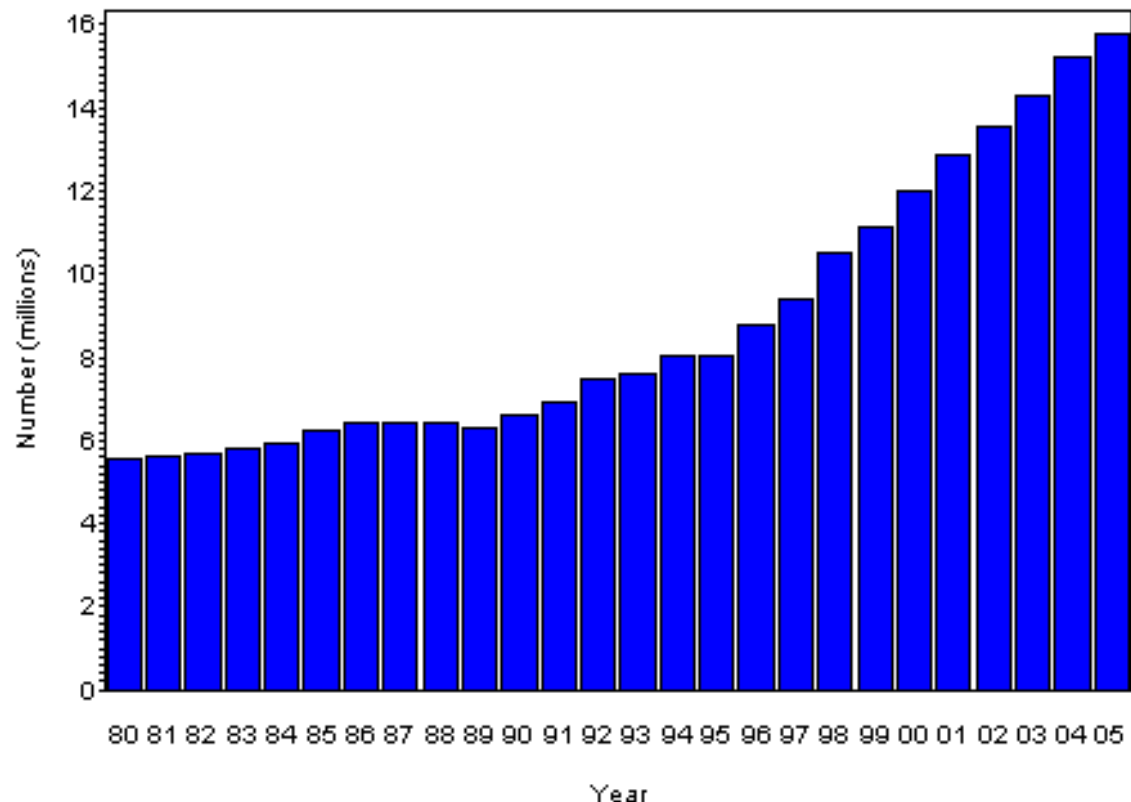
Source: Behavioral Risk Factor Surveillance System, CDC.  
<http://www.cdc.gov/nccdphp/dnpa/obesity/trend/maps/index.htm>



# What is the value of healthcare?

Diabetes is becoming more common in the United States.

- ❖ From 1980 through 2005, the number of Americans with diabetes increased from 5.6 million to 15.8 million.



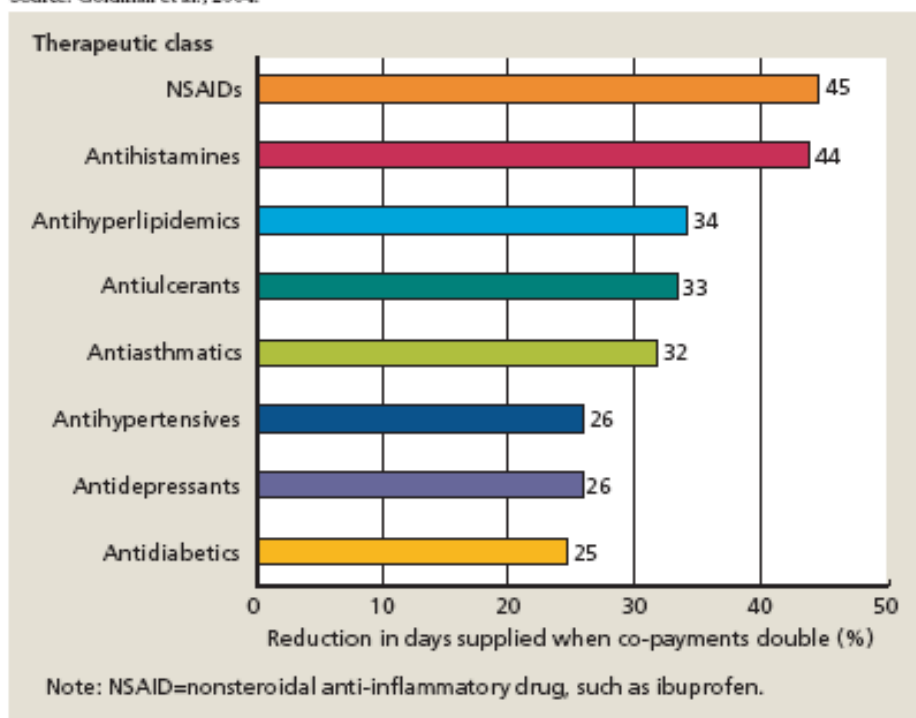
<http://www.cdc.gov/diabetes/statistics/prev/national/figpersons.htm>



# Cost Shift Pushes Rx Costs to Consumers

## Co-Payments Can Have a Large Effect on Service Use— Including Prescription Drugs

Source: Goldman et al., 2004.



Lower Possession  
Rates

Lower Adherence

Higher THM Costs

7 [http://www.rand.org/pubs/corporate\\_pubs/2005/RAND\\_CP484.1.pdf](http://www.rand.org/pubs/corporate_pubs/2005/RAND_CP484.1.pdf) 12.19.06



# Case Study-Pitney Bowes



- 80-plus year legacy
- Fortune 500 company
- \$5.6 billion global provider of integrated mail and document management solutions
- Global team of more than 35,000 employees
- Presence in more than 130 countries worldwide
- More than 2 million customers
- As business model moved from products to services, workforce changed - driving change in strategic thinking about health care



# Three Fundamental Sources of Success

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## Healthy Corporation

- Culture and values
- Benefit plans
- Management practices
- Employee resources

## Healthy Work Environment

- On-site medical facilities/Fitness Centers
- Ergonomic workspaces/Stretch breaks
- Non-smoking work sites
- Healthy food options in cafeterias
- Lactation rooms

## Personal Responsibility

- Wellness/prevention
- Demand management
- Disease management

**Healthy,  
Engaged,  
Productive  
Employees**



# Total Value Total Return

*by Jack Mahoney, MD and David Hom*

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- Seven Rules for Optimizing Employee Health Benefits for a Healthier and More Productive Workforce
    - Rule 1: The Health of Your Organization Begins with Your People
    - Rule 2: To Realize Total Value, You Must Understand Total Cost
    - Rule 3: Higher Costs Don't Always Mean Higher Value
    - Rule 4: Health Begins and Ends With the Individual
    - Rule 5: Avoid Barriers to Effective Treatment
    - Rule 6: Carrots Are Valued Over Sticks
    - Rule 7: Total Value Demands Total Teamwork
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# Rule 1-The Health of Your Organization Begins With Your People

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- Understand your employee and dependent population needs; Differences
  - Demographics
  - Age/Sex
  - Ethnicity
  - Geography
  - Service
  - Operating units



# Employee Integrated Health Database-

## Rule 2: To Realize Total Value, You Must Understand Total Cost

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- Health Care Costs
  - Medical, Rx, Behavioral Health
  - Chronic disease risk scores
- Workers' Compensation and Disability
  - Incidence rates, lost time, costs
- Medical Clinics
  - Utilization, customer satisfaction, clinical outcomes from program interventions (impact on presenteeism)
- Health Care University (HCU)
  - Participation, risk factors & behaviors vs. established norms / targets
- HR Demographics and programs
  - Impact of work/life programs on productivity, Employee engagement survey results, Perception surveys



# Rule 3-Higher Cost Does Not Mean Higher Value

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- Perception of consumers
  - High prices for services equal high value
  - High prices for health plans equal high value
- Refocus on measuring value and impact to the patient
  - Measure value of low cost intervention-Office Visits, labs, preventive screening and medications
  - Modify plan designs which do not create more value



# Building the Environment

Action

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**Managed Care  
Vendors**

**Negotiate  
Employee  
Services**



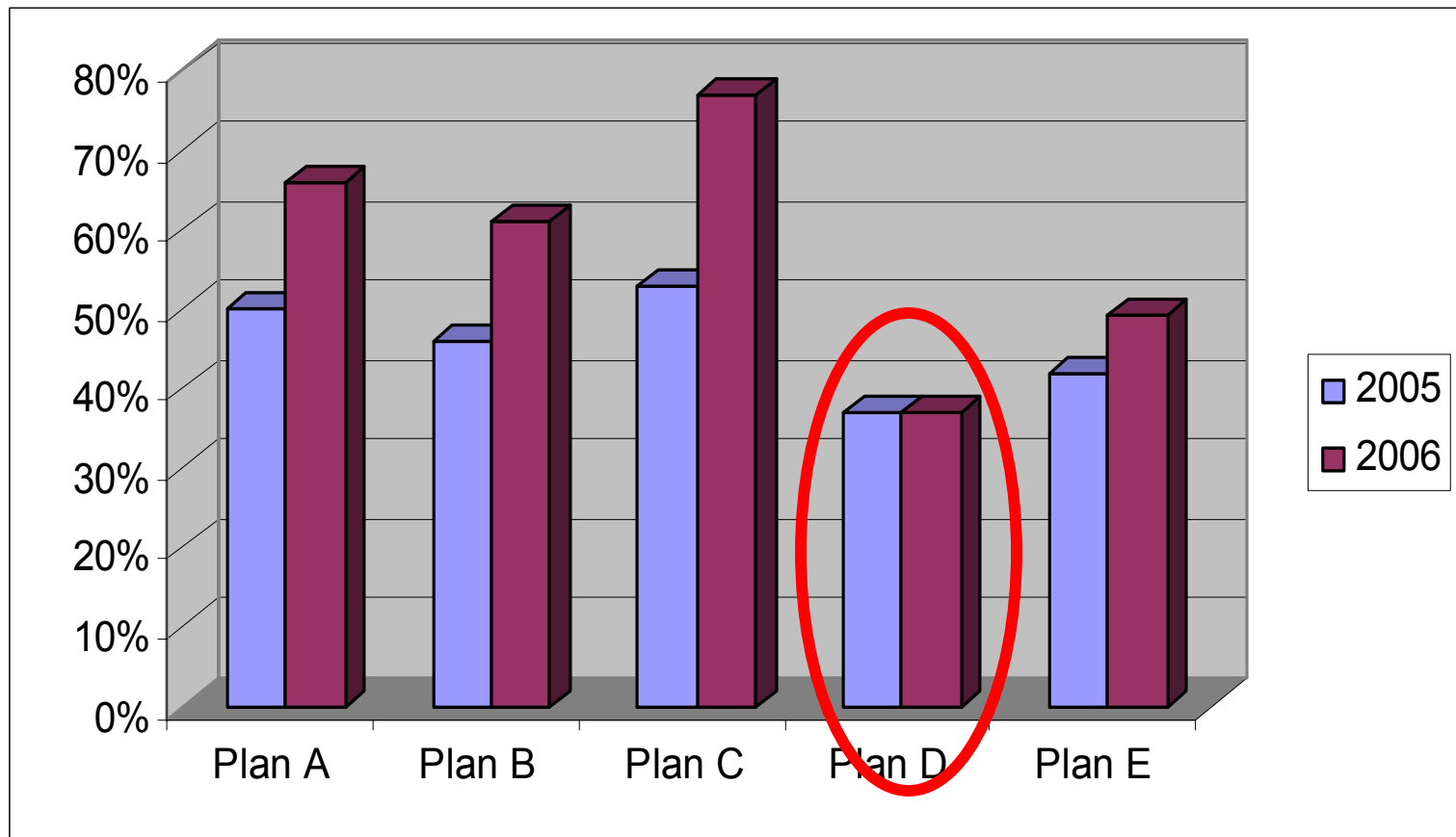
# MCO Strategy

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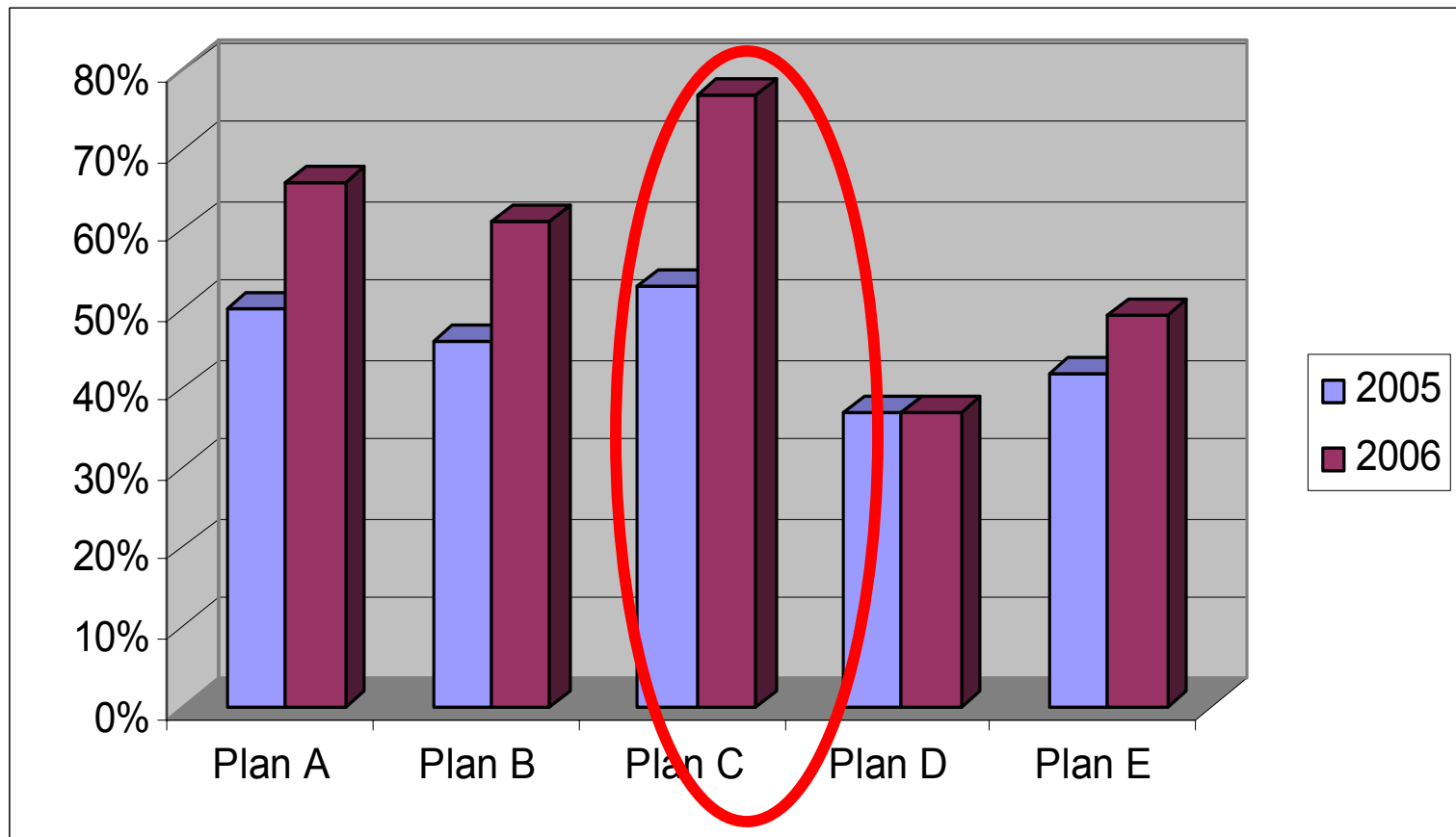
- Quality Improvement
  - eValue8-NBCH Tool for Coalitions
    - Large Case Management
    - Disease Management
    - Health Improvement Programs
    - Costs



# Percentage of Available Points Selected Health Plans



# Percentage of Available Points Selected Health Plans



# Building the Environment

**Action**





# Health Improvement/Wellness

## Rule 4: Health Begins and Ends with the Individual

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- Health Care University
  - Incentive-based program designed to assist employees in improving and maintaining health status
  - Emphasis on health behaviors
- Program components
  - Educational seminars, web-based and print education tools, screenings, behavior change programs
  - Emphasis on chronic disease conditions
  - Annual or semi annual incentives



# Building the Environment

**Action**



# Building the Environment

## Rule 5: Avoid Barriers to Effective Treatment

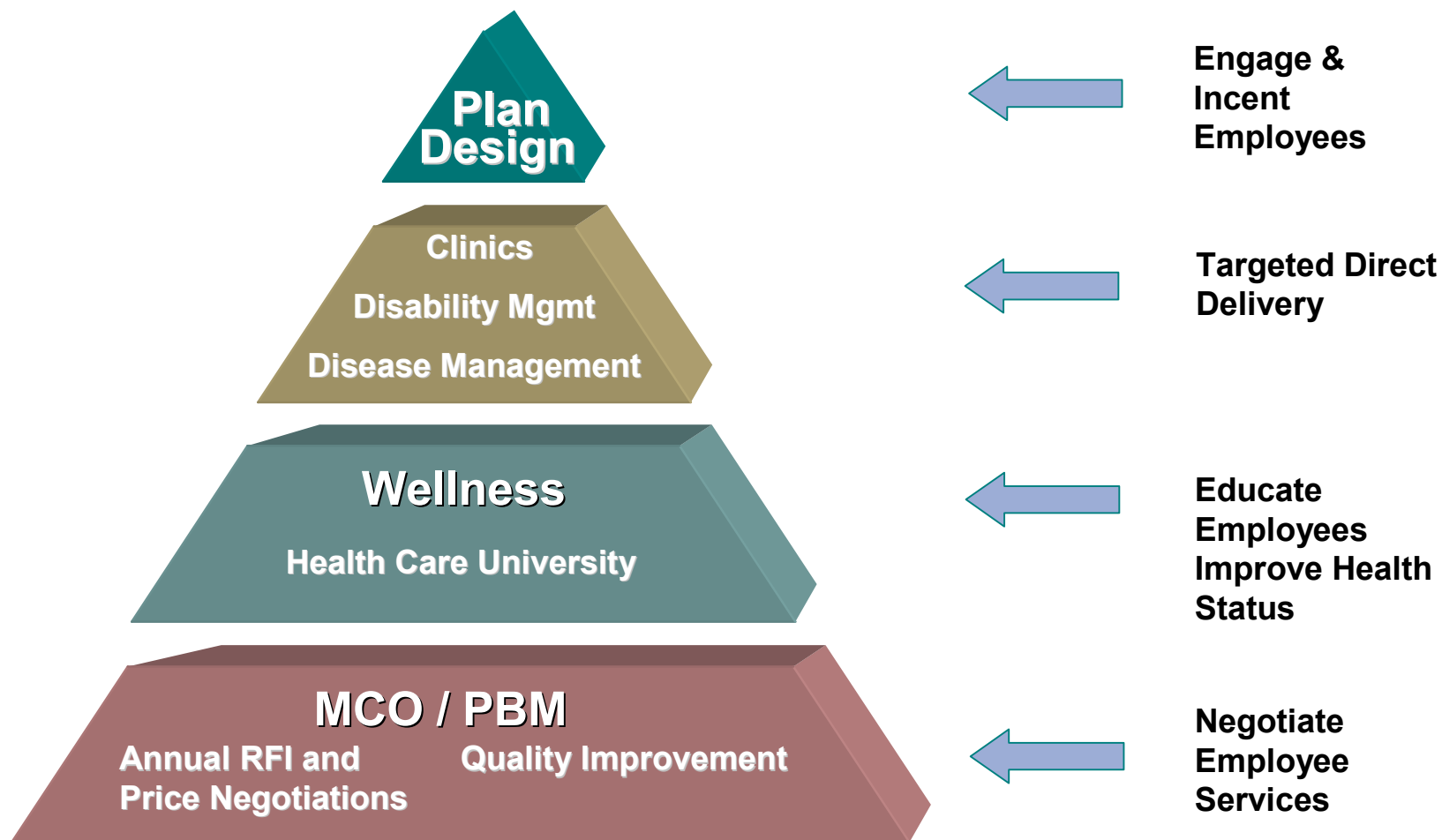
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- Focused disease management with employee opt in that is separate from the health plans-telephonic support
- Assess administrative barriers within the plan design
  - Pre Authorization steps edits



# Building the Environment

## Action



# Medical Plans — Plan Designs

## Rule 5 Avoid Barriers to Effective Treatment

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- Preventive Services
  - Low cost or no cost
- Routine Services
  - First dollar coverage: No deductibles for routine services
- Major Services
  - Choice of deductible and coinsurance maximums
- Revise formulary to support strategic goal
  - Medications for target conditions on Tier 1
  - Pre-Deductible for CDHP plans



# A New Approach Using Predictive Modeling

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- Hybrid artificial intelligence
- Population-based factors associated with migration from “normal” to “high cost”
- Total cost of health approach
  - Medical claims
  - Pharmacy
  - Behavioral health
  - Disability
  - Absenteeism
  - Workers Comp




# Predictive Model Findings

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**If Employee or Dependent:**  **Then:**

- ☑ Has diagnosis of depression or diabetes
  - ☑ Is over age 22
  - ☑ Has filled less than 6 prescriptions for antidepressant or diabetes drugs in preceding year
- 

Or

- ☑ Has spent more than \$780 on health care in previous year
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Or

- ☑ Has spent nothing on health care in previous year, less than 40 years old and filed less than 3 workers comp claims
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**Person is predicted to be at high cost for subsequent year**



# New research: Key Predictors for High Cost Claims

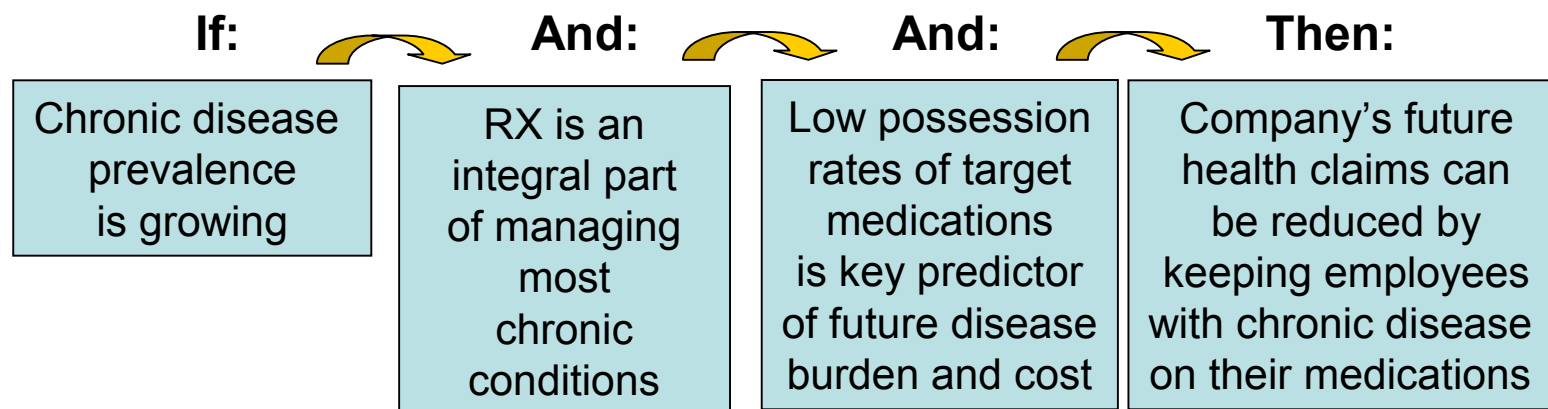
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- Chronic diseases
  - Asthma
  - Diabetes
  - Cardiovascular
  - Depression-Compliance decreases if there is another co-morbid disease
- Strong association between chronic condition progression and
  - Low possession rates of medication used to treat these conditions – Compliance/Adherence
  - Low utilization of preventive/screening services—  
Diagnosis

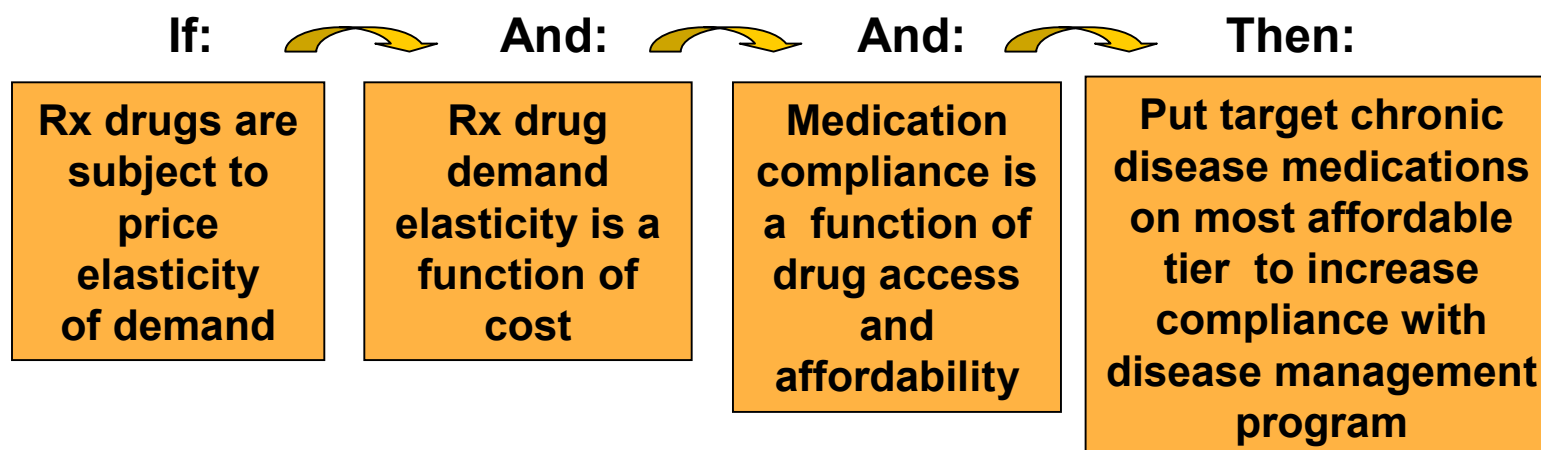




# Pharmacy Benefit Design Decision

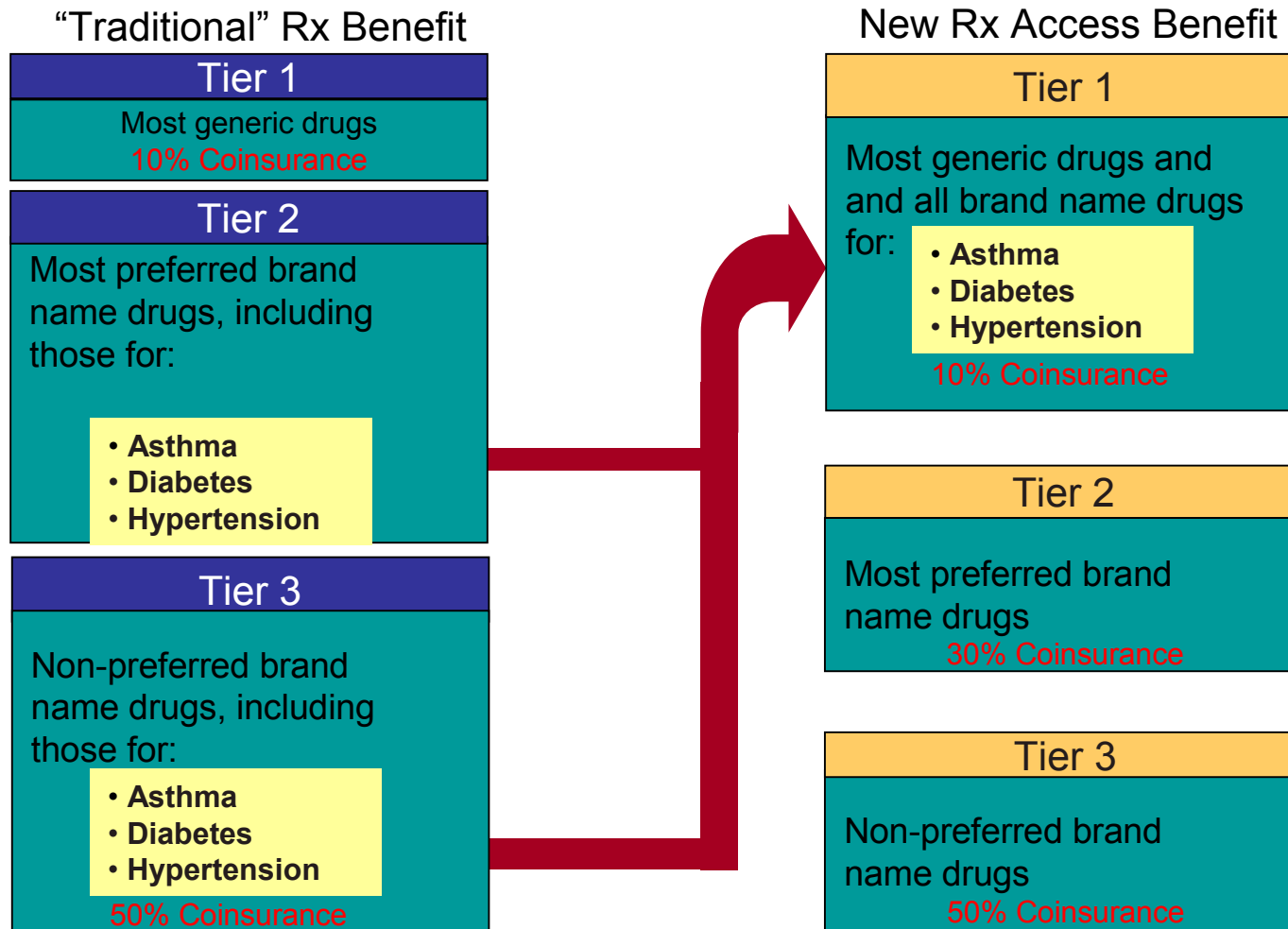


**How to keep employees taking their chronic disease medications?**



# Solution: Rx Access Benefit Design

Rule 6: Carrots are Valued Over Sticks



# Asthma & Diabetes Results

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- Average annual cost of care decreased for both conditions
  - 6% decrease for diabetes
  - 15% decrease for asthma
  - Results NOT adjusted for trend
- Average annual pharmacy costs also decreased
  - 7% for diabetes
  - 19% for asthma
  - Related to decreased use of drugs used to treat complications



# Drivers of Direct Health Plan Savings

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	<u>Hospital Admission Rate</u>	<u>ER Utilization</u>
Asthma	-38%	-6%
Diabetes	NC	-30%



# Findings – Disability Data

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Results – Employees with Diabetes Diagnosis  
(self insured medical plans ~ 750 employees)

	2002	2003	2004
Medical patients per 1000 ees	49.5	50.5	53.3
Active STD cases per 100 ees	.06	.07	.03
Avg duration per STD case	58	30	41
Avg STD cost per claimant	\$7,798	\$2,486	\$1,925



# Findings

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- Annual cost of care decreased for both conditions (asthma and diabetes)
- Pharmacy costs decreased
- Hospital admissions declined for people w/ asthma
  - Increased for people w/ diabetes (still below benchmark)
- ER visits declined for people w/ diabetes
  - Disability costs decreased by 50%
- Changes in medication/possession rates for both groups
  - Improved adherence
  - Types of medications (more controllers, less rescue)

**SAVINGS OF  
\$1 MILLION IN  
FIRST YEAR**

**SAVINGS OF  
\$2.5 MILLION  
3RD YEAR**



# 2006 Analysis Validates 2002 Interventions

Health status	Excellent	Very good	Good	Fair	Poor
% of Pitney Bowes population	34%	19%	23%	13%	11%
Asthma	-14%	-9%	0%	18%	40%
Back pain	-14%	3%	6%	9%	15%
Cancer	-2%	7%	-5%	5%	-1%
Depression	-24%	-5%	7%	23%	40%
Diabetes	-28%	-7%	4%	31%	52%
Heart disease	-12%	1%	-6%	22%	23%
High blood pressure	-14%	-4%	3%	18%	23%
High cholesterol	-4%	-4%	2%	8%	7%
Stomach problems	-7%	0%	5%	6%	6%

**Identify health status segments in greatest need, and action steps with largest potential early impact**



# Key Messages

## Rule 7: Total Value Demands Total Teamwork

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- 1) Most tools now give you a fine view - through your rear window
  - 2) Identify key medical conditions using data
  - 3) Data is valuable even if you have little of it
  - 4) Benefits designs do drive consumer behavior
  - 5) Redefine wellness/prevention to include care for chronic conditions and employee engagement
  - 6) Prescription drugs, routine office visits, and screenings have value in managing chronic care
  - 7) Benefits planning can create a strategic advantage
  - 8) Benefits decision makers can make a difference
- 





# Messages Resonate in the Market

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- The Plan: Extend Pitney Bowes experience to other payers, defined as employers and health plans

Benchmarking the experience develops market movement towards VBBD

- Identified 150 employers who may be value-based innovators
- Qualified ~ 1/3 of these employers to date
- Over 4 million employees, \$1 trillion revenues
- 22 have made Rx copay innovations



# Health Plan Adoption Trends 2005-06

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- Innovation and PR is increasing
  - BCBSMI (Blue Care Network) asthma controller co-pay reduction
  - Great West Life: diabetes/asthma co-pay reduction
  - BCBS/NC: diabetes/asthma co-pay reduction
  - Premiera BCBS investment model for employee self-improvement
  - Health Alliance Plan (HAP-MI) diabetes/asthma co-pay reduction (employees)
  - Health Alliance Medical Plan (HAMP-IL): diabetes co pay innovation
  - Cleveland Clinic Foundation employee model for accountability



# Summary

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- Is this model of investment sustainable?
- Is this model transferable to others?
- Questions ?
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  - Email [DHom@vbhealth.org](mailto:DHom@vbhealth.org)

